

CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

BUSINESS ENTITY CONCEPT	The accounting for a business should be kept separate and apart from the <u>personal</u> accounting of the owner, or any other business organization.
COST PRINCIPLE	Accounting for purchases should be recorded at their original cost (purchase) price to the purchaser. Furthermore, the cost price of an asset in the books does not change over time.
GOING CONCERN CONCEPT	One should assume that a business will continue to operate indefinitely unless there is - <u>clear</u> evidence to the contrary. Accordingly, assets should be listed at their cost price (and not their liquidation value) in the books.
PRINCIPLE OF CONSERVATISM	The accounting for a business should be fair and reasonable. Neither profits nor equity should be overstated or understated.
OBJECTIVITY PRINCIPLE	The accounting for a business should be recorded on the basis of <u>objective</u> evidence (i.e., source documents) which includes complete details of each transaction.
REVENUE RECOGNITION PRINCIPLE	Under the accrual basis of accounting, revenues should be recognized (or recorded) in the fiscal period in which the transaction is completed (i.e., when goods/services are/or the bill are delivered to the customer) and not necessarily when payment is ultimately received.
MATCHING PRINCIPLE	Under the accrual basis of accounting, expenses should be recorded in the same fiscal period as the revenues they helped to earn (i.e., when expenses were incurred and/or the bill is received) and not necessarily when payment is ultimately delivered.
TIME PERIOD CONCEPT	Accounting takes place over specified time periods known as <u>fiscal</u> periods. These periods should be of <u>equal</u> length when used to measure the financial progress of the business.
CONSISTENCY PRINCIPLE	A business should use the <u>same</u> accounting methods and procedures from period to period. However, when <u>legitimate</u> changes are necessary, those changes should be clearly <u>disclosed</u> in the financial statements or the notes to those statements.
MATERIALITY PRINCIPLE	Any <u>material</u> (significant) information that has an <u>immediate</u> impact upon a company's <u>accounts</u> should be included with that company's financial statements.
FULL DISCLOSURE PRINCIPLE	Any information that <u>one day may</u> have an impact upon a company's <u>financial performance</u> should be included with that company's financial statements or the <u>notes</u> to those statements.